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THE MANAGEMENT CONSULTING INDUSTRY IN GERMANY

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TABLE OF CONTENTS

I. Introduction
- Background ---- 1
- Methodology ---- 2
- Analysis of Nonrespondents ---- 5

II. Survey Results ---- 6
- Number of Clients ---- 6
- Characteristics of Clients ---- 6
- Amount of Usage ---- 7
- Contract Size ---- 8
- Types of Jobs ---- 8
- Consulting Firms ---- 9
- Effectiveness ---- 10
- Control ---- 13
- Attitudes Toward Consultants ---- 14
- Example ---- 17

III. Survey Discussion ---- 19
- Satisfaction ---- 19
- Characteristics ---- 19
- Usage ---- 19
  - Consulting Life Cycle ---- 19
  - Media Effects ---- 20
  - Structure ---- 20
  - Attitudes and Values ---- 21

IV. Summary
- Survey Observations ---- 27
- German Attitudes ---- 28
- Control ---- 29
- Conclusion ---- 30

Appendices 31

Bibliography 41

I. Introduction

I. Background

The United States is the leader in management consulting with about 3,000 companies plus some 60 accounting firms (see Appendix I) which have consulting divisions. Total billings of the U.S. management consulting industry were estimated at over $1 billion in 1972 by the Association of Consulting Management Engineers (ACME) and about $2 billion by Time and Newsweek.[1]

The largest of the consulting firms is Chicago-based, Booz, Allen and Hamilton which services approximately 900 clients per year, with $49 million in billings in 1972.[2] McKinsey and Company, a New York based consulting firm, is the nation's second largest with billings of about $45 million in 1972.[3] More than any other firm it is an international consultant with more than half of its' billings overseas and with the largest absolute foreign billings.

Starting salaries of $20,000 or more are not uncommon for fresh business school graduates and help explain why more and more graduates seek employment there. Salary increases can also be substantial with junior partners of some firms earning around $100,000 and senior partners earning up to $300,000. Billings for a senior partner may range as high as $1,000 per day.[4]

The reasons for hiring consultants, services provided, types of consulting firms, and typical consulting procedures are included in Appendices 2, 3, 4, and 5.

This paper takes a look at a small area of management skills transfer, the activities of management consultants in Germany. Information has been obtained which hopefully helps answer the following types of questions:

1. How much use is made of consultants?
2. What types of jobs have they undertaken?
3. What firms are active in the German market?
4. What are the dimensions of the jobs undertaken?
5. How effective are the consulting firms?
6. What are the characteristics of the clients?

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[1] "Consultant Heal Thyself," Time, 101:88, May 21, 1973, and also, "How to Succeed?", Newsweek, 81 '74, February 26, 1973.

[2] Source: The Association of Consulting Management Engineers.

[3] Newsweek, op.cit.

[4] Time, op.cit.

7. What are the attitudes of German managers toward the use of consultants?

Economists look at two sides of a transaction, demand and supply. In this study an attempt was made to learn something about the consulting business in Germany by gathering information primarily from the demand side (i.e., the client organizations) rather than, as is more usual, from the supply side (i.e., the consulting firms). Most writing about the consulting industry is done by consultants or ex-consultants. Almost all of the remaining literature on consultants is based primarily on information obtained from consultants.

II. Methodology

This survey was conducted in two phases. First, twenty-five German firms were visited in July and August 1972, and members of their managements were interviewed. These interviews established the need for further information, and subsequently a questionnaire (see Appendix 6) was sent to 83 firms, which included the original twenty-five. These firms were the seventy-eight largest firms plus six that were within the top 300 and were either the leader or the second largest in their respective industries. These organizations had combined sales of DM 370 billion[1] in 1970.

Thirty-two firms provided useful information for the study by interview, questionnaire or both.

	Total	Useful Responses
Interviews	25	16
Questionnaire	83	19
Third Party Information	1	1
		32*

Not all respondents provided answers to all questions so 32 is the maximum number of cases for any data about firms. These firms provided information about 48 consulting contracts (two firms explicitly listed only some of their contracts).

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[1] Grotop, Wilhelm, und Schmache, Ernst Die Grossen 500, Droste Verlag, Dusseldorf, 1972, p. 26ff.

* Four firms interviewed also returned questionnaires. The 12 who did not may have had nothing further to add, or the questionnaire may not have reached the appropriate manager. In Germany most firms' correspondence is opened in a central office and is not necessarily directed to the person to whom it is addressed, according to the German Consulate in Boston. One firm, Volkswagenwerke in Wolfsburg, did not return its questionnaire, was not interviewed in person, but was included in the study. This was possible because of familiarity with the firm and much available third party information.

The responding group of firms had total sales of DM 152 billion[1] in 1970. This represents a very important share of the German economy when compared with the following figures for the same year:

1. Value of gross manufacturing output - DM 515 billion[2]
2. Gross domestic product in purchasers' values - DM 684 billion[3]

The selection of firms for interviews was determined by the location of the author who was living in Hamburg, Dusseldorf, and near Munich during the study. No firm was visited that was more than 100 km. from any of these three cities. An attempt was made to obtain a cross section of German corporations within this area.

The interviews were fairly unstructured. The subjects were not shown a list of questions or asked to fill out any questionnaires. The interviewer never read questions from a list and only occasionally took notes. When the interviewing process moved out of a respondent's office (e.g, lunch, home, or tour of a plant), no notes were taken. The evening of the interview, notes and responses were recorded. This time lag probably contributed to some loss of information but did not seem to contribute much to perceptual distortion other than that which occured at the interview itself.

All interviews were conducted with a manager who spoke English or through an interpreter. Occasionally some German was used. This translation problem certainly prevented any subtleties or nuances from being recorded. Therefore, the only attitude differentiations noted were those which were clearly observable.

In arranging the interviews, patience was necessary. The majority required time between calls (up to one week) before an interview could be arranged. However, once at a company, there was generally a willingness to discuss almost any aspect of a consultant's work. Presumably in face to face encounters a greater relationship of trust (and consequent security) was developed.

Statistically, three concepts are worth mentioning: (1) sampling, (2) reliability, and (3) validity.

1. Sampling - The data comes from 32 firms out of a group of 83. The group of 83 is not considered as representative of all German organizations. It rather is assumed to represent the opinion of leaders in the use of consultants, the frontier of these relationships. Are the 32 firms an adequate sample to describe the behavior of the 83? It is clear that there are no differences in sales, profits, international

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[1] Ibid.

[2] United Nations, Statistical Yearbook 1971, New York, 1972, p. 202

[3] United Nations, Yearbook of National Accounts Statistics 1971 Vol. 1, New York, 1973. p. 368.

activity or ownership as between the 32 respondents and 51 non-respondents. Admittedly, the 32 is a non-random sample; it is unknown if the respondents or non-respondents have been influenced by unknown factors and introduce a systematic bias to the study. The industry spread appears representative.

2. Reliability - The firms which were interviewed and returned questionnaires were consistent in their answers. When more than one company manager was interviewed there also was internal consistency. On the questionnaire and in the interview there were many joint questions that would highlight inconsistencies. Few were discovered. All responses were coded by the author (with occasional checks with others).

3. Validity - The reader should be aware of the following problems when trying to assess whether the results really measure what the author was trying to measure:

   a. Accuracy - It seems likely that the respondents were answering honestly. There was consistency among managers within the same firm.

   b. Language - An attempt was made to ask clear straightforward questions. It is difficult to know how much was lost or changed in the two-step translation.

   c. Knowledge - The interviewer was at the mercy of the firms as to whether or not the most knowledgeable men were reached. Those who stated that their companies had never used consultants might simply have not known of a consulting contract.

   d. Attitudes -

      1. It is difficult to know if those interviewed reflected (accurately) their organizations' attitudes. If they did not, when more than one person was interviewed, strong differences of opinion might have arisen. That did not happen in the 11 firms where more than one manager was interviewed.

      2. It was assumed that effectiveness could be measured by satisfaction. It is not provable that this relationship is true or that the satisfaction index is the best measure of effectiveness.

      3. When coding attitudes toward consultants, the main statement was taken as true regardless of the number of qualifiers: e.g., "We favor the use of consultants except for . . ."

      4. Levels of those interviewed - In most firms, the interviews were conducted with persons who had contact with some, if not all, of the consulting contracts. These men ranged from approximately middle managers up to the chief executive officer of the firm.

Volkswagenwerke A.G. was the only firm in the study to whom such assurances of confidentiality were not given. One of the most interesting consulting jobs in Germany was undertaken by McKinsey for Volkswagen. It supposedly was a very comprehensive assignment, including work on the firm's organization and marketing structure. A conventional wisdom exists that categorizes McKinsey as being the "seller" of decentralized marketing reorganizations. Heinz Nordhoff, the architect of Volkswagen's success for 20 years, was succeeded by Kurt Lotz in 1968. His major task was to develop

a replacement for the "bug." He is described as having a management style that is sympathetic to a decentralized structure,[1] and it was under him that McKinsey undertook this major study. McKinsey had worked previously on marketing and organization tasks for VW about a subsidiary, AUDI-NSU. About 1971, Ernst Leiding, succeeded Kurt Lotz as the chief executive officer. Simultaneously, McKinsey was fired, and its work up to that point disregarded.

III. Analysis of Nonrespondents

Interviews were usually arranged by merely phoning the organization, describing the subject matter, and introducing the interviewer. Excluding the numerous transfers on a single call, return calls, etc. not one firm refused to discuss the subject matter of the study either in person or by phone.

There was no distinct pattern evident when comparing the questionnaire respondents versus nonrespondents on four factors: size of sales, profits, export percentages, or foreign control. A few observations may be made by looking at the table of respondents (see Appendix 7).

1. Most industries have no bias for response or nonresponse.
2. Holding companies, electrical companies, and petroleum companies appear to have a disproportionate share of nonrespondents.
3. Steel corporations appear to have a disproportionate share of respondents.

While it is more costly and time consuming, the response rate, depth of information and willingness to provide most information markedly identified personal interviews to be superior to mail questionnaires in this study.

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[1] Sampson, Anthony, Anatomy of Europe, Harper & Row, New York, 1968, p. 125ff.

II. Survey Results

A. Number of Clients

The number of large German organizations using outside consulting firms was small. Fifty percent of the respondents said they had not used any outside consulting firms since 1965. This is compared with what appears to be almost universal usage by American firms.[1] Of the top 25 American firms surveyed by Hidgon, all 17 which responded had used consulting firms even though six of these said they had not. Apparently, there is a significant difference between American and German usage.[2] Although the possibility exists that German corporations were not responding truthfully, many of the respondents were consistent in interviews, letters and third party opinions.

B. Characteristics of Clients

The companies which willingly gave information were mostly manufacturing concerns; a few trade, food processors, public utilities, and no banks or solely commercial establishments. Of the users of consultants, the basic industries predominated (steel, chemicals and petroleum). All of the steel concerns contacted had at least used one consulting firm somewhere in the structure. The nonusers of consultants were much more uniformly and broadly spread across industry categories.

Size appeared to have definite effect, but it is difficult to describe the effect without disclosing individual firms. All firms in the survey with annual sales under $1-1/3 billion, which were not controlled by larger corporations, had not used consultants. Most firms over $1-3/4 billion which reported used consultants, except for service, or utility firms. In the German case it seems reasonable to assume that large corporations use consultants more often, but there was not enough data to guess whether larger or smaller firms spent a greater share on consulting help.

The following table shows consultant usage by basic and non-basic firms while controlling on the size of the firm. Whether a firm was in a basic industry or not was more important as a predictor of consultant usage than was

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[1] Hidgon, Hal, The Business Healers, Random House, New York, 1969, p. 51.

[2] Chi Square Test - 16/32 German firms; 17/17 Am. - .05 level of confidence.

size of the firm. Size of the firm showed a lesser relationship with consultant usage.

Consultant Usage and Type of Industry, By Size of Firm

Use Consultants	Large**		Small	
	Basic*	Non-Basic	Basic	Non-Basic
Yes	67%	43%	56%	29%
No	33	57	44	71
Number	9	7	9	7

Foreign-controlled firms and those controlled by German ownership used consultants about the same percentages (45%) of the time. The average share of exports of the user firms was 30% against 24% for nonuser firms, and with similar looking distributions of types of jobs. The difference is not significant. It had been anticipated that those German firms engaged in more international relationships, as evidenced by ownership or sales, might be more open to outside influences and even seek outside help. In these specific examples, such was not the case.

C. Amount of Usage

While a lower percentage of German firms appeared to use consulting firms, what about the amount of usage by those German firms who hired consultants? Of the 17 American firms surveyed which did use consultants, only five admitted to having used consultants on a regular basis. Of the 14 "user" German firms, only 5 firms admitted to having had more than three consultant contracts since 1965. No significant quantitative difference was observable. However, no German firm had retained, or appeared to retain, a permanent relationship with a consulting firm. In contrast, many American firms maintain a relationship whereby board members or corporate officers may talk over ideas or problems with consultants as the need arises.

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*Basic - Metals, Petroleum and Rubber

**Large - Over $1 billion annual sales

D. Contract Size

The value of 41 contracts for which dollar values were reported ranged from $10,000 to $2,000,000, with a mean average of $190,000. Four of these contracts were for $1,000,000 or more. The high cost of these contracts resulted from the McKinsey organization type of work.

The length of the jobs ranged from one week to four years, with the mean average of about 11 months. Seventy-two percent of the contracts ranged between one-half and one and one-half years.

The manpower (man months) employed on the jobs was almost directly proportional to the cost of the jobs. There were two important exceptions: (1) technical consultants, such as computer experts, usually had a lower billing rate than general consultants; (2) American firms, even if employing nationals, usually charged higher rates than German consultants. The largest contract in the survey at one time had 15 full-time consultants working on the project. Others of course, had only one or a part-time consultant on their project at certain times.

In two contracts with American consultants, as compared with four contracts with German consultants, one German industrial corporation paid three times the manpower rate to the American firms. This agrees with estimates of Dr. Howard McMahon, former president of Arthur D. Little, and others.

E. Types of Jobs

The 48 consulting contracts (revealed by German respondents) can be grouped into ten types (13 were unclassifiable):

1. Production techniques	7
2. Organization	6
3. Marketing	5
4. Control	4
5. Computer systems	4
6. Training	3
7. Operations Research and Management Science	2
8. Daily Processes	2
9. Finance and planning	1
10. Personnel	1

It became obvious during interviewing, and later substantiated in questionnaire responses, that little information could be obtained on very small jobs. Occasionally, a one-day job might be given a professor or local specialist to help solve a particular problem. This work was considered trivial by the firm,

probably occured less often than in the United States, and did not require corporate approval. Therefore, this type of work and records of it were lost in the daily work process and was only recalled by those having direct contact with the "one day specialist." Therefore, the discussion on usage concerns only significant contractual work.

F. Consulting Firms

Out of 25 contracts for which the consulting firm was identified, 16 were with American consulting firms. Only McKinsey, Booz Allen Hamilton, and Diebold (all U.S. firms) were involved in more than one contract. From discussions with German managers about other German firms, these three organizations appeared to dominate. McKinsey's work in the four cases discussed always involved reorganization, and in two of the four cases was also perceived as a marketing study. Diebold's work always involved computer technology. Its client contacts often were the result of computer systems seminars put on for top managers of European corporations. Even many of the corporate managers, who had not hired Diebold, had attended Diebold seminars or at least had obtained literature and viewed this organization as competent.

Which non-American firms were significant? Metra, a Paris-based organization, appeared to be the largest European consulting firm. It is a management science/computer systems type of high technology firm. Its closest American parallels would probably be Arthur D. Little, Stanford Research Inc., or Planning Research Corporation. Its billings at last estimate exceeded $30 million, and it employed over 2,000 persons. Even though it probably did some business in Germany, no German manager interviewed knew of any job in Germany by Metra, and many had not heard of the firm.

Kienbaum, a Frankfurt-based firm, is a service-oriented firm with one division being a management consulting arm. It is the largest consulting firm in Germany, the entire firm having well over 1,000 employees, although how many were engaged in consulting was unclear.

Most German consulting firms are quite small, most with fewer than 20 professionals. In fact, one member of a Cologne law firm claimed his firm was the country's largest with less than 20 lawyers. It is true that the largest American consulting firm, Booz, has close to 1,000 professionals, which is no more than five times larger than the large law firms of the United States. If this relationship holds in Germany, one might expect Kienbaum's consulting arm to

house no more than 100 professional consultants.

The following is a list of major American consulting firms and estimates of their European business. The German estimates were made by distributing a firm's European income equally among its European offices.

	$ Millions Europe	Germany
1. McKinsey	25-30	5
2. Arthur D. Little	18(worldwide)	?
3. Booz Allen Hamilton	11	3
4. Planning Research Corp.	9	1
5. Stanford Research Inst.	?	?
6. Diebold	2	1/2
7. Kurt Salmon	2	1/2
8. Boston Consulting Group	1-1/2	-
9. Hay Associates	1-1/2	1/3
10. A. T. Kearny	1-1/2	1/3
11. William Hill	1-1/4	1/3
12. Lester B. Knight	1	1/5

Principal Source: Association of Consulting Management Engineers

It has been estimated repeatedly that the total consulting billing for Western Europe is about $200 million. The consulting firms listed above account for approximately 14 million dollars in Germany. If this figure were doubled to account for the accounting firms and other consultants, American billings in Germany would be less than $30 million. German consultants' billings were very small relative to U.S. consultants in the study. If their total billings were as high as $6 million, 1/5 that of U.S. firms, which is unlikely, the total German consulting market would be less than $35 million. With a GNP that is 1/4 the total product for Europe, the German share of consulting is clearly disproportionally small, given the size of its economy.

G. Effectiveness of Consultant's Work

This is an area in which many measures might be used, such as cost savings, profit increase for the client, or future jobs as a measure for the consultant. Unfortunately, it was impossible to determine the contributions to profits or R.O.I. of a client firm by consultants. Therefore, surrogate measures of contributions to the attainment of a client's goals were sought. It was assumed that clients' satisfaction would somehow be related to the effectiveness of the jobs done by the consultants. Four questions were asked to determine the

satisfaction of the clients: (1) Has the consultant been rehired? (2) Would you consider rehiring? (3) What percentage of the consultant's recommendations were put into practice? (4) Was the work performed by the consultant of anticipated quality?

Eight corporations went into depth about the quality of work by the consultants for each specific contract (for 23 contracts). Following are the results of the effectiveness questions:

1. Have you rehired the consultant? Yes - 12 No - 11
2. Would you rehire the firm? Yes - 14 No - 6
3. Was the work of anticipated quality? Yes - 14 No - 6
4. What percentage of the consultants' recommendations were put into practice? 0% - 4, 25% - 3, 50% - 3, 75% - 4, 100% - 3.

Responses to these four questions apparently demonstrate internal consistency in that: (1) the percentage of firms which would be rehired is larger than those which have been rehired; (2) the meeting of expectations is about the same percentage as the number of firms which would be rehired.

Additionally, the distribution of percentages of recommendations put into practice was approximately the same for each category (0, 25, 50, 75 and 100 percent). This uniform distribution was expected because of the variety among the cases (e.g., control systems, task definitions, varying expectations).

1. Comparison - German and American

Comparing the client satisfaction with American consultants (vis-a-vis German consultants) by all four criteria, one finds that the German consultants scored more favorably. However, only five German contracts were available for comparison with 11 American contracts, so the numbers are relatively small. The results of this comparison are:

Consulting Firms		German	U.S.
Rehired		80%	18%
Would rehire		80%	50%
Was the work of anticipated quality		80%	75%
Percent of recommendations actually applied	mean	85%	58%
	range	50-100%	0-90%

Using the χ^2 test of significance at the .05 level, there is a significant difference between the number of German firms rehired and the number of American firms rehired. Even though there is a substantial difference between the percentage of firms which would be rehired, it is not significant at the .05 level using χ^2.

Also, using a T test, the difference in means of the percentages of recommendations applied is not significant although there is a large disparity. If the same differences occurred with increases in the number of cases, those differences would quickly become significant. However, as all four proxy variables for satisfaction exhibit more satisfaction with German consulting firms, a pattern appears to emerge. If the probability of each variable showing a German preference were equal to an American preference, then the chance that all four variables would show a German preference would be only 6%.

2. Other Factors

By only looking at the forementioned measures of effectiveness one might reasonably conclude that if the emerging pattern were to be true for a larger sample, then German consulting firms were more effective than American firms when dealing with German clients. However, one should not merely look at the effectiveness measures but also should ask, "Are all other things equal?" Are there conditions that might lead to a difference in the effectiveness measures other than the quality of work performed by the consulting firms:

a. Of the contracts reporting the following data, the average contract size with American consulting firms was about $420,000 while it was only about $120,000 with German firms. The American contracts ranged from $10,000 to over $2,000,000 while the German contracts reported ranged from $40,000 to $200,000. The mean difference between the two countries was not significant using the T-statistics test, but this appears to be a result of a small number of cases. Fifty eight percent of the American cases cost over $200,000, while none of the German contracts were above this value. These results are consistent with the conventional wisdom that American firms do large organization, marketing, and strategic planning jobs while non-American firms are specialists, coming closer to pure technical consulting. It is suspected that the German client firms tended more to overlook small contracts than large so both numbers are considered to be too large rather than too small. Also when a very small contract is to be let, it seems more likely to go to a local firm than an American firm because:

1. Negotiating costs would be too high with an American firm.
2. The German firms are smaller, more specialized and more likely to find small contracts attractive.
3. German firms have lower billing rates, therefore the greater man hours available per unit cost may have greater marginal value in small contracts than large.

b. While the average length of American contracts was one and one-half years and only one year for German contracts this difference is not significant and does not appear to be merely the result of a small

sample size. Two very large contracts biased the American average upwards; the medians are about the same. The American firms' larger, more costly, contracts employed greater manpower. One contract, which will be described later as an example, had up to 15 professional consultants working full time on the contract.

c. Types of jobs - No job done by German firms (out of ten listed) dealt with either marketing or overall organization. Five organization contracts and three marketing contracts were undertaken by American firms out of 20 listed. With the exception of one contract for financial planning, all other nine German contracts were in narrow fields: production, daily process, information, computers and training. The American firms' activities covered a wider range, but the distinguishing characteristic was that the German consulting contracts were more specific while the American contracts were more general.

The apparent greater satisfaction felt by German clients with German consultants (vis-a-vis American consultants) ahould be viewed carefully because:

1. It is a more significant decision to hire a consultant for large contracts than small ones. A firm that does a large job originally may not be rehired as quickly as one which does only a fraction of that work.
2. Larger jobs have more breadth and more objectives. It is more difficult to satisfy multiple objectives.
3. Expectations of performance may be higher with "big name" American firms than local firms, and satisfaction might be less with the former even if performance were equal.

H. Control

Possibly the most significant finding in this study was that satisfaction by the client firm was directly related to the amount of control the client firm exercised over the consultant. Not only by quantitative measure did it appear that satisfaction and control were related, but this also came out very clearly in the interviews with company personnel. This result was consistent with other findings, the best known being the work by Arnold Tannenbaum.[1]

To find out how much control a client firm exercises over the consultant is very difficult. At the extremes, it is clear; a high control situation is one in which (1) the work is done through permanent joint client-consultant teams, (2) the client firm accepts and rejects individual consultants, and (3) all reports are jointly produced. A low control situation is one in which (1) a report to the client by the consultant is the final output, (2) the client does not screen individual consultants, (3) the client's employees are only interviewed

[1] Tannenbaum, Arnold, Control in Organization, McGraw-Hill, New York, 1968, Chapter 16.

rather than participate in the work, and (4) the bulk of the work is done in the offices of the consultant.

Eight of the 14 firms which replied to whether the consultant report was jointly written replied "no." It was assumed prior to the study that those firms exercising the greatest control over consultants would show the most satisfaction. An index, which is the sum of four numbers, was generated as a measure of satisfaction. The four numbers, each of which range from one to ten, reflect: (1) the percentage of consultants rehired, (2) the percentage of consultants who would be rehired, (3) the average percentage of recommendations applied, and (4) the percentage of contracts with expected quality. Seven firms responded to all five required pieces of data. Those two with the highest satisfaction index also were the only two which wrote their reports jointly with the consultant. The firm with the third highest index score wrote the reports jointly some of the time. It appeared that those which had joint reports were the greater users of consultants with an average of five contracts per company versus three contracts on average for nonusers.

Two contracts are used for comparison. Both were large, by either German or American standards. Each was with a different, very large, prestigious American consulting firm and expanded in scope as the project was underway. In the more heavily controlled case, the client had no dissatisfaction with the work, had negotiated a new contract with the firm, and felt all recommendations were as much the decisions of the client firm as the recommendations of the consulting firm. The second contract, less heavily controlled, resulted in a lower level of satisfaction, but the firm said that if it let a similar job, it would establish joint permanent teams and write a joint report. In other words, both felt that strong control was desirable.

I. Attitudes Toward Consultants

Seventeen firms provided useful responses to four basic questions about their attitudes toward the use of management consulting firms. These questions were open ended both in the questionnaire and in personal interviews.

1. What is your firm's attitude generally toward the use of consultants?

   Nine firms reported a negative attitude while eight firms were positive albeit with many restrictions. The two striking facts that emerged from the questionnaires and interviews were:

   a. The opinions were stated in strong forceful terms which led this observer to believe that they were well internalized.

b. Even though the opinions were strongly held, there was almost no agreement as to whether consultants were helpful or on what types of work they were useful.

2. Why might German firms be unlikely to hire consultants?

Following is a list of the key reasons for not using consultants (ranked from most often mentioned to least):

a. Lack of trust - e.g., fear of security breaches, fear of strangers, risk aversion.

b. High cost - e.g., cost benefit ratios, absolute high cost.

c. Low quality - e.g., fear of low quality, reputation for poor work, comments about charlatans, poor good will.

d. Lack of inside knowledge - e.g., our staff knows our situation better, want only to do general work, too theoretical.

e. Lack of consideration of the local environment - e.g., don't consider the German character, treat Germany like America.

f. Inexperience with consultants - e.g., we have found no need for them, have not used them yet.

g. German attitudes - e.g., our managers are engineers or former officers, both autocratic groups who don't accept much outside advice, our board of directors discourages their use.

3. When might German firms be likely to use consultants?

The responses to this question were varied among many dimensions; some firms looked at client considerations, some looked at consultant characteristics; others at the relationship between the two. The only two characteristics mentioned more than twice were: the need for an unbiased third party, and the need for specialists. It is interesting that the following affirmative answers for the use of consultants were less consistent than the negative answers:

a. Need for an unbiased third party.

b. Need for special skills or experience.

c. Problems or crises requiring a solution which the firm felt unable to provide.

1. Functional or structural problems.

2. Environmental (economic) crises.

3. Falling profits.

d. Need for outside help in achieving rationalization in corporate functions.

e. Need for specialized assistance in reducing capacity restraints caused by growth.

f. Training requirements.

g. Younger, less technical, more open minded personnel were entering management.

h. Future changes in consulting might make consulting firms more attractive to German clients.

1) Image improvement.

2) Lower prices.

i. Prior good relationship with a consultant.

j. Superior ability of the consultant to implement changes.

4. Do you think the use of consultants by German firms will increase or decrease? Why?

Respondents in about half the firms said the use of consultants in Germany would decrease rather than increase but this 50-50 split is certainly inconclusive. While users of consultants more often felt consultant usage would increase, and nonusers more often felt consultant usage would decrease, there definitely was not a one-to-one correspondence.

Two issues were brought up by executives who neither predicted increases nor decreases in consulting business.

a. The business done by consulting firms is highly dependent upon the development of individual sectors of the economy.

b. The quality of work done by consultants at each step has a carry-over effect on future business. Future quality wasunpredictable.

The following table lists the most frequent responses given for a future increase or decrease in consulting activity in Germany:

Increase	Decrease
A. Increased Competition	A. Increased Competition
1. Firms are becoming larger and larger and therefore need more neutral advice.	1. With decreased profit margins there is less discretionary income. Consultants can be cut in order to maintain margins.
2. As competition (including international) increases, the broad experience of consultants becomes more important.	2. The need for more effective organizations creates greater skills within the firm, thereby decreasing the need for outside help.
3. Causes increased size and more specialization. More unfilled gaps in corporate operations offer consulting opportunities.	B. Usefullness
4. Leads to more rapid changes, and consultants can help with appropriate respones.	1. Much of the work is not relevant.
B. Changing German Attitudes	2. Much of the work is too theoretical.
1. The younger managers are becoming less authoritarian.	3. Insufficient problem solving.
2. Resistance to outside advice is declining.	C. Costs
	1. Costs currently are too high.
	2. The costs are rising

Table cont'd

Increase	Decrease
C. Consultants Reputation 1. The selection process is weeding out the "bad" consultants, thereby improving the overall reputation. 2. The poor early reputation is fading with increased contact.	D. Reputation 1. Publications have hurt consultants' reputations. 2. "Charlatans" have hurt their image. 3. Public relations have been bad and have had a "snowballing" effect.

J. Example

We take as an example the consulting contract between a large German corporation and a well known American consulting firm. The identities or dates of the contract will not be revealed in accordance with the wishes of the German client firm from whom the information was received. This contract was chosen in order to describe a job that yielded high client satisfaction, but is not representative of the average contract in that it was the most expensive contract discussed in detail by the responding firms. The client corporation was a very successful one.

1. Company Background

The firm was a producer of basic goods with an export market of about 20%. Its sales placed it well within the Fortune 500 of U.S. corporations. It was closely linked to other well-known corporations through ownership ties. Its balance sheet appeared sound and by interview and visual signals appeared well managed.

2. The Corporation's Perspective on Consultants

Consulting contracts were divided into four types by the firm:

a. A study of one restricted problem.

b. A solution to one problem.

c. The establishment of a continuous working relationship with the firm in some area.

d. A solution to a specific question requiring outside technical expertise.

The corporation felt that it had not been very successful with the first type because a mere study does not result in enough detail for actual implementation. It had moved away from the second type to the third type in order to gain more control. The last type was considered satisfactory if well specified by the firm.

3. Consultant Task

The consultant was first brought in to help with a very specific task. A study was to be undertaken to analyze the sales organization. The firm was selected somewhat by its overall reputation but principally by referrals on its quality of work by friends of the client corporation who had used the consultant in other firms. From the start, the consultant's employees were on the client's site most of the time and merged into permanent work teams with employees of the client's firm. The firm's control over these teams was exercised by the organization department and its manager. In fact as the work progressed, the manager of the organization department asked for the removal of some of the consultant's employees from the project, even including one vice president. He also requested that others remain on the project.

Simultaneously, the firm was considering establishing a computer-based centralized information system. One original study in this area had been done previously for the client by a well known data processing consulting firm. The consulting team's task was expanded to include what should be the relationship between the sales organization and the information system.

4. Personnel

These teams came to be comprised of people from four areas: (1) consultant personnel, (2) company programmers, (3) company systems personnel, and (4) company people from functional areas. At one time 15 consultants were working full time in addition to the company personnel. The consulting personnel were originally mostly Americans, but as the project progressed, the majority became German nationals. German intermediaries always had to be used when talking with the directors of the client firm. In fact, there was less consultant contact with the directors than is usual in similar large American jobs. The company personnel handled most of the contacts with both boards and were very involved with the writing of any reports. The head of the organization department felt the reports required more "precision and definition" than could be given by the consulting firm.

5. Contractual Arrangements

A nine volume report was produced at the end of 18 months, and the implementation was accomplished in the next 18 months. The invoices were submitted monthly at an average price of $65,000.

6. Satisfaction

The Organization Department manager said the firm was very satisfied with the consultants and would take them back any time. In fact a subsidiary of the consulting firm had been given a smaller operations research contract. The consulting firm itself had received another large contract (18 months, $600,000), for developing an on-line order handling system and automated warehouse.

III. Survey Discussion

Most of the quantitative findings of the survey can be aggregated into three groups: 1) German client firm satisfaction, 2) characteristics of German client firms and 3) amount of usage of consultants. The following discussion presents possible explanations for the findings:

A. Satisfaction

The work of Arnold Tannenbaum relating satisfaction and control was cited in the prior chapter. Control over consultants' being directly related to client's satisfaction with consultants is consistent with Tannenbaum's work. His studies dealt with internal control, while this survey looked at control over an external relationship.

The greater satisfaction with German rather than American consultants was discussed briefly in the prior chapter. Excluding the obvious reasons for this result (quality of work and different types of tasks), the attitudes discussed in the following section on usage should influence the client's satisfaction.

B. Characteristics

We find that larger firms in basic industries had been the greatest users of consultants in Germany, possibly the result of corporate traditions of using outside advisors. Basic industries tend to have greater variability of earnings than do banks, utilities or similar protected types of businesses. Other organizations such as banks, investment houses, technology service firms, etc., provide advice to basic industries. Banks, by comparison, do not have the same vast array of outside advisory relationships. The early postwar collapse of some firms served as an example to the basic industries. "It was largely this tendency not to consult experts, especially financiers, and to take advice from their departmental heads that brought them to grief. . ."[1]

C. Usage

The low usage of consultants by German firms (relative to American or other European firms) has at least four contributing causations:

1. Consulting Life Cycle

   Early contracts with clients often had been quite broad and extensive. Later continuing contracts were smaller, more specific, but occurred more often. That is, as a client's sophistication increased he was better able to

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[1] Economist, "Germany's New Businessman", 1 August 1964, p. 486.

differentiate tasks. Germany was in the early phase of the consulting business, so individual contracts would be expected to be large but few.

2. Media Effects

A complete file of articles maintained on consultants by Fried Krupp was the basis of a content analysis. These were German language articles printed in periodicals about consultants mainly between 1968 and 1971. Seven of these 19 articles could be determined as reflecting negative attitudes toward consultants, while the others were either neutral or positive. Using the 1968, 1969, 1970, 1971, and 1972 Reader's Guide, all relevant articles about business consultants in the U.S. were similarly ranked, with the result that five of 18 articles were found to be negative towards consultants. There is no statistical difference between these scores.

By looking at the two sets of articles another way, an obvious difference existed. The negative German articles spoke of charlatans, gave warnings against unethical consultants, etc. The negative American articles merely spoke of financial and ownership difficulties facing consultants. In other words, the German negative articles were very negative, almost tantamount to condemnation. On the other hand, the positive American articles spoke of great consulting successes, clients being saved, profits made, etc., while the positive German articles spoke more of mergers, contracts signed, tasks undertaken. The American articles seemed much more positive. All in all, the German press appeared to present a much more negative view of consulting than did the American.

3. Structure

In the survey, the German client firms were found to have a variety of organizational structures, just as would be found in the United States. In the German case there are two boards: (1) an outside advisory board (Aufsichsrat), and (2) an inside managing board (Vorstand). Also, there is a legal requirement for labor's participation in management (codetermination). These well known structural distinctions seemed to affect the use of consultants very little. The attitudes (vis-a-vis organizational structure) of the members of these boards may well affect their use or lack of such use. One outside board member told the president of a large corporation that, "Any manager who uses a management consultant is not managing." This statement presumably did not enhance the chances of the consultants. This firm had one consulting contract prior to that statement; it had had none since.

There were two departments in every responding firm not universal in American firms: (1) a planning department (This function is centralized only in some American firms). (2) an organization department (This function is almost never formalized in a department in American corporations). Particularly important is that the organization departments of German firms undertake tasks which often fall to consulting firms or ad hoc committees in the United States. In fact, many of these departments are the negotiating and controlling agency when consulting contracts are let. The organization groups in a firm may reside at the home office, divisions, or both, and range from a few people up to a much higher number (estimated 50).

4. Attitudes and Values

a. Before World War II

According to Grosset, Germany retained more precapitalistic values in the 20th Century than any other part of Europe. There was a preoccupation with ethics and metaphysics, which characterized the elite prior to World War II. Society was highly stratified, and the business world had its place in that stratification. It was difficult to enter business at an elite level, and if one entered this strata it was difficult to move up.[1] A great many of the firms were family owned and the principal manager was also the entrepreneur. Many of the great firms, for example, Krupp, Siemens, Thyssen, were run by great industrial families of Germany.[2] The absolute manager (autocrat) with the great social space between him and his subordinates was quite common in Germany prior to World War II.[3]

b. Post World War II

1. Individual Attitudes

Roskamp[4] and Pohlen[5] in their separate studies described the fathers' effect on the attitudes of the children. Roskamp theorized that the father-soldier-hero returned to the previously fatherless home defeated

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[1] Grosset, Serge, Management: European and American Styles, Wadsworth, Belmont, California, 1970, p. 54.

[2] Sampson, Anthony, Anatomy of Europe, Harper and Row, New York, 1968, p. 93ff.

[3] Grosset, op.cit., p. 111.

[4] Roskamp, Hermann, "On Identity Conflicts of Students Born in World War Two," language study summarized in Psychology Abstracts, June 1970, #8283.

[5] Pohlen, Manfried, "The Dependency Motif in the Student Revolt," A German language study summarized in Psychology Abstracts, June 1970, #8283.

and powerless. This destroys the idealized fantasy maintained previously by children who then depreciate the father. A resulting negative identification is found which blocks the way to sexual and social identity. Pohlen postulates that the decline of the father image causing a release of aggression is one of the most decisive events determining the world-wide student rebellion. Out of a 1969 study[1] of 26 cultural groups, German children were second (only to Thai children) in hostility. In the German case the previously absent fathers evaded authority conflicts by creating the outward appearance of a liberal family atmosphere.

The absolute manager (autocrat) of pre-World War II days was also under the pressure of technology.[2] It required great capital investment, increases in scale that were beyond the management scope of a single executive.

Authoritarianism still appears to be stronger in Germany than the United States. Shaver, Hofman, and Richards[3] compared American and German students, with the latter being significantly higher on the California F and Dogmatism scales. German students were also found to be more socially conforming or dependent than American students.[4] If the student population is viewed as a guide to emerging trends in attitudes and as a predictor of future attitudes, the major elements for a more authoritarian (vis-a-vis the United States) society exist. Having a dogmatic behavior pattern coupled with a need to conform creates a strong basis for an ordered, less mobile social structure. Couple these elements with the findings of Rabbie[5] that German families are more punitive in child rearing techniques and that the German father is stricter than in the United States, and one may have explained the difference in dogmatism and the social conformity. Members of the Wermacht and the

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[1] Gardiner, Harry W., "A Cross Cultural Comparison of Hostility on Children's Drawings," Journal of Social Psychology, October 1969, 79 (2), pp. 261-263.

[2] Grosset, op.cit., p. 111.

[3] Shaver, James P., Hofman, Helmut P., and Richards, Hygrem, "The Authoritarianism of American and German Higher Education Students," Journal of Social Psychology, 1971, August, Vol. 84 (2), pp. 303-304.

[4] Merenda, Peter F., et.al., "Cross-Cultural Perceptions of the Ideal Self Concept," International Review of Applied Psychology, 1969, 18 (2), pp. 129-134.

[5] Rabbie, Jacob M., "A Cross-Cultural Comparison of Parent Child Relationship in the United States and Germany," British Journal of Social and Clinical Psychology, 1965, (4), pp. 298-310.

Waffen SS were compared on their authoritarianism.[1] The Waffen SS was the elite corps and former membership still carries prestige in Germany. Many years after the war (1964), the Waffen SS members were still found to be significantly more authoritarian (with less variance). No studies were discovered which compared postwar authoritarianism with prewar authoritarianism. Many writers discussed and built a case for the reduction of authoritarianism since the war. That may well be so, but when compared to the United States it appears that authoritarianism is more valued in Germany and supporting mechanisms still exist. A further effect of a conforming and authoritarian society might be the stifling of creativity. In a comparison[2] with English children, German children scored lower on the Torrance Test of Creative Thinking.

A further characteristic that may shape German behavior toward outsiders (e.g., consultants) follows. Employed Germans, whose only interaction with non-Germans is at home rather than abroad, have a greater tendency to generalize about those foreigners and their attitude towards them is more negative than employed Germans who also have interacted with non-Germans outside Germany.[3]

2. Managerial Attitudes

Knowing the traditions of authority in Germany and the forementioned studies of high authoritarian values, it follows that German management is very concerned with its authority.[4] Heinz Hartman has described German managers as elitist and concerned with authority. The German view of authority is that it is self-evident and has a claim on obedience.[5]

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[1] Steiner and Fahrenberg, "Degree of Authoritarianism in Former Members of SS Forces and the Armed Forces," this was a German language study summarized in Psychology Abstracts, February 1972, #2961.

[2] Ogletree., F., "A Cross-cultural Examination of the Creative Thinking Ability of Public and Private School Pupils in England, Scotland and Germany," Journal of Social Psychology, 1971, April, Vol. 83 (2), pp. 301-302.

[3] Bergins, R., Werbik, H., Winter, G. and Schubring, G., "Judgement of Employed Germans About Foreigners in Relation to the Number of Their Acquaintances," German language study in Psychology Abstracts, March 1972, #4674.

[4] Harbison, F., and Myers, C., Management in the Industrial World, McGraw-Hill, New York, 1959, p.270.

[5] Heinz Hartman, "Organization in German Management," in Davis, Stanley, Comparative Management, Prentice Hall, Englewood Cliffs, New Jersey, 1971, p. 407ff.

It has been found that German middle managers have a greater need for security than U.S. managers.[1] Two theories may explain this: (1) the uncertain childhood, previously discussed, and (2) the social distance between top managers and the middle management.[2] (German top managers perceive less distance between high and lower status positions than do lower level managers.)[3] This gulf leads to uncertainty in middle management, which feels required to obtain top management approval for all major decisions. Henry Wallich describes the compulsive urge to work as an antidote to this insecurity.[4] This coincides with the finding that ambition among German adolescents was shown to be highest among five countries, including the United States.[5]

This authority structure is reinforced by more of Fridrich's findings: (1) German managers have a high status anxiety and are very concerned with their prestige.[6] (2) German managers are more task oriented and less people oriented than U.S. managers.[7] (3) German managers have more of a theory X value system and American managers have more theory Y.[8]

In the classic study on comparative management by Haire, Ghiselli and Porter, the prior findings are supported. (In chronology most of the other studies cited followed Haire et.al.) The German manager's faith in the average person's capacity for leadership and initiative is very low. This precipitates his reluctance to share information or to encourage a participative mode of management.[9]

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[1] Fridrich, Heinz Kurt, A Comparative Study of U.S. and German Middle Management Attitudes, unpublished Sloan School Masters Thesis, June 1965.

[2] Ibid., and also, Grosset, op.cit.

[3] Haire, Mason, Ghiselli, Erwin E. and Porter, Lyman, Managerial Thinking: An International Study, Wiley, New York, 1966, p. 123.

[4] Wallich, Henry, Mainsprings of the German Revival, Yale, New Haven, 1955, p. 333.

[5] Seward, G. H. and Williamson, R. C., "A Cross-national Study of Adolescent Professional Goals," Human Development, 1969, 12 (4), pp. 248-254.

[6] Fridrich, op.cit., p. 46.

[7] Fridrich, op.cit., p. 114.

[8] Fridrich, op.cit., pp. 110-111.

[9] Haire, Ghiselli, Porter, op.cit., p. 28.

Haire et.al. found that German managers see a great difference between directing and persuading, where American managers see little difference. The German managers would prefer to direct than to persuade; directing involves more firmness and carries greater prestige.[1] Further, they feel that directing has greater scope and, surprisingly, is easier.[2] German managers are more negative in their attitude toward change and a flexible organization than American managers.[3]

Most important in comparing German managers with American managers is that Haire et.al. found clusters of countries when looking at managerial style and strategy. Germany was in the Nordic cluster while the United States was in the Anglo cluster.[4] These clusters differed along the dimensions previously discussed. Therefore, it seems logical to hypothesize that the attitudinal differences will result in behavioral differences and also that other attitudes not surveyed may differ.

3. Firms Behavior

Despite the post-war move to decentralize, there still remains in many German organizations a strong authoritative central executive.[5]

Many examples of a strong central authority are evident in post war Germany such as (1) Volkswagen - Nordoff, (2) Siemens - Siemens family, (3) Thyssen - Thyssen family, and (4) Daimler Benz - Flick family.[6]

A soft but still authoritarian behavior is paternalism. A paternalistic tradition is well established in Germany. Company towns and other welfare services are common. Managers are proud of their firm's social services. Paternalism has duties running in two directions: (1) those involving the firm's obligation to "provide" for its employees, and (2) those related to the employees' responsibility to the firm. In Germany as in other countries this second

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[1] Haire et.al., op.cit., p. 38.

[2] Haire et.al., op.cit., p. 55.

[3] Fridrich, op.cit., pp. 110-111.

[4] Haire et.al., op.cit., p. 12.

[5] Grosset, op.cit., pp. 112-113.

[6] Sampson, op.cit., p. 93ff.

duty discourages the movement of an employee from firm to firm.[1]

Are there any other factors affecting the type of management in postwar Germany? World War II drastically reduced the manpower pool available from which to draw managers. Also, it interrupted or eliminated the education of most of the survivors from whom the managers are selected. One replacement is the corps of military personnel added to the normal pool of potential managers. It seems reasonable to expect no great diminution of authoritarian values from this pool.

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[1] Sampson, op.cit., p. 80.

IV. Summary

A. Survey Observations

The following results were observed although not all were statistically significant:

1. A lower percentage of German firms used consultants than did United States firms or even the average European firm.

2. No quantitative difference existed between the number of contracts entered into by "user" firms of the two countries. There was a qualitative difference, though, in that American firms appeared to maintain more continuing, permanent relationships with consultants than did German firms.

3. American consulting firms were larger than German firms and engaged in the major share of consulting in Germany.

4. German organizations' contracts with American consulting firms were larger than with German consultants.

5. More expensive consulting jobs tended to use more manpower rather than more overall time. Total manpower was proportional to total costs but with two limitations:

   a. United States billing rates were much higher than German rates.

   b. Technical consultants were less costly than general management consultants.

6. Effectiveness was assumed to be related to client satisfaction. There appeared to be a higher satisfaction by German client firms with German consultants than with United States consultants.

7. Clients of consultants in Germany could not be identified by foreign control or export percentages. It appeared that the larger firms were more likely to use consultants. The heavy industries (steel, chemicals and petroleum) had been the largest users of consultants in Germany.

8. Structural differences existed between German and American client firms. All German firms that responded had both organization and planning departments, but few United States firms had either.

9. Control was related to satisfaction. Among the few firms where this data was available, those firms exercising greater control over consultants also expressed greater satisfaction with the work of the consultants.

The primary impression of this survey is that German firms, as compared to those of other western countries,use consultants less. The later development of consulting in Germany may explain part of the differential use vis-a-vis the United States but would not apply when comparing German use with the other European firms. The structural differences discussed in Section III may also have some effect when comparing German usage with the United States but not with the rest of Europe. Probably most important in looking at the German relationships with consultants are the findings by Haire, Ghiselli, and Porter. They established that managerial styles and strategies are clustered by groups of countries and that the U.S.A. and Germany fall into different clusters. If there were no such differences, then attitude and behavior towards consultants could be considered universal.

B. German Attitudes

Four general characteristics of the German managers and people are assumed to help explain the results found in the survey. These four characteristics, presented in Section III are: (1) authoritarianism and its concomitants, (2) ambition coupled with low creativity, (3) negative attitudes toward foreigners, and (4) hostility.

1. Authoritarianism

Germany with its Prussian antecedents has been well known for its authoritarian social structure. Before World War II there were many family-owned firms which were managed in a very nonparticipative manner by the family. The military and civil service were elites that further served as authoritarian institutions and models. The war wiped out the military and civil service and reduced the autocratic firms. Additionally, the technology boom has created the need for larger scale facilities. This in turn has reduced the ability of autocrats to manage firms in a total sense.

In spite of these changes, authoritarianism is still high relative to other countries. Students have been found to be more dogmatic and socially conforming than those in the United States. Families raise their children more strictly and punitively. The economy still has many family dominated paternalistic firms. The war reduced the manpower pool of managers, lowered the average education and increased the percentage of people with a military education, which increased rather than decreased authoritarian values. German managers are very concerned with authority. Their authority is based on internalized values of the society. The results and/or causes of this concern have many effects, among them are:

a. A more negative attitude toward change and flexible organization than in the U.S.

b. A preference to direct (more prestigious) than to persuade, including a reluctance to encourage participative management.

c. A low faith in the average person's capacity for leadership and initiative.

d. A reluctance to share information.

e. An anxiety over prestige.

Participation has been found to be negatively related to authoritarianism.[1] It was assumed for this survey that the relatively high German authoritarianism would lead to a low use of consultants because of the relative lack of participative attitudes among German managers.

2. Ambition

The following elements suggest energetic, noninnovative, structured organizations:

a. Ambition and drive are typical of German children and employees.

b. German children are low in creativity.

c. Engineering is considered the best background for management.

3. Attitude Toward Foreigners

It has been shown that Germans whose contact is with non-Germans in Germany have more negative feelings toward and stereotypes of the foreigners, than do Germans whose contact is outside Germany.

4. Hostility

German children have been shown to be high in hostility.

German managers expressed what they thought was the attitude of their respective organization toward the use of consultants. Those firms with a positive attitude were about equal in number to those firms with a negative attitude. The positive attitude firms qualified their statements much more than the negative attitude firms. Hence, it appeared that negative feelings were much more intense than positive feelings toward consultants.

The results of the content analysis of the German media articles discussed in Section III were consistent with the managers views. It is unclear whether the media reflects or influences the views of managers.

C. Control

The other significant finding in this study is that satisfaction of the client firms was directly related to the amount of control they exercised over

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[1] Vroom, Victor H., Work and Motivation, Wiley, New York, 1964, p. 119.

their consultants. In this one case control by a firm over an external relationship was directly related to satisfaction. This is consistent with the work by Arnold Tannenbaum whose findings related satisfaction and control over internal relationships.

D. Conclusion

The major share of management consulting done in Germany is accomplished by United States firms, although not necessarily by United States citizens. Client satisfaction with this work is relatively low but appears directly related to the amount of control exercised by the client firms.

The basic expectation that German firms would express more negative attitudes towards consultants and use them less than U.S. firms was supported by the results of the study.

Appendix 1

Consulting Billings of Major Accounting Firms

Ernst and Ernst	$36 million
Peat, Marwick, Mitchell	34
Arthur Anderson	33
Price Waterhouse	22
Touche, Ross, Bailey	19
Arthur Young	17
Haskins, Sells	16
Lybrand	7

Source: Association of Consulting Management Engineers

Appendix 2

Reasons for Engaging Consultants

1. The possibility of shortening the time needed for the implementation of projects.

2. The possibility of obtaining specialized skills and know-how.

3. The possibility of finding a fresh approach to established practices.

4. The possibility of obtaining independent evaluations and recommendations.

Source: United Nations Industrial Development Organization, Manual on the Use of Consultants in Developing Countries, U.N., New York, 1968, p.2.

Appendix 3

Services Provided by Consultants

1. Design and Engineering
2. Technological
3. Economic
4. Management
5. Training Programs
6. Legal Aid

Source: United Nations Industrial Development Organization, Manual on the Use of Consultants in Developing Countries, U.N., New York, 1968, p. 5-11.

Appendix 4

Types of Consultants

1. The individual consultant.
2. The consulting firm. This includes the accounting firm with a management services division.
3. Industrial research institutes.
4. Government agencies.
5. Universities.
6. Foreign governments and international organizations.
7. Manufacturing firms (especially capital goods producers) which offer aid as a marketing vehicle to help their primary activities.

Source: United Nations Industrial Development Organization, Manual on the Use of Consultants in Developing Countries, U.N., New York, 1968, p. 5-11.

Appendix 5

Procedural Steps of a Consulting Task

1. Preliminary statement of the problem.
2. Determination and collection of pertinent data.
3. Analysis of collected data and precise statement of problem.
4. Agreement with client as to problem.
5. Collection of additional data.
6. Analysis of all data collected to arrive at a solution.
7. Preliminary recommendations to management.
8. Analysis of management's reaction to preliminary recommendations.
9. Final recommendations in a formal report.
10. Implementation by the specialist.

Source: Arnstein, William E., Management Services by Accounting Firms, The Ronald Press Co., New York, 1967, p. 13.

Massachusetts Institute of Technology
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50 Memorial Drive
Cambridge, Massachusetts, 02139

March 15, 1973

Sehr geehrte Herren!

Bitte gestatten Sie mir, Sie um eine Gefaelligkeit zu bitten. Ich beschaeftige mich mit Forschungen ueber die Inanspruchnahme von Managementberatungsdiensten durch deutsche Gesellschaften. Waehrend Juli and August 1972 habe ich mich in Deutschland aufgehalten um deutsche Industrieunternehmen zu interviewen.

Biegefuegt ist ein Fragebogen, der an die 75 groessten deutschen Unternehmen geschickt wird. Ich waere sehr dankbar wenn Sie ihn ausfuellen und an mich zurueckschicken koennten. Es handelt sich hierbei um rein akademische Forschung und um keinerlei kommerzieller Taetigkeit. Ich moechte ebenfalls versichern, dass das veroeffentlichte Material keinen Hinweis auf die Identitaet der Gesellschaft enthalten wird.

Verzeihen Sie bitte, dass der Fragebogen auf englisch ist, aber meine Deutschkenntnisse reichen nicht aus, auf deutsch Formulierte Antworten anzuwerten.

Haben Sie recht herzlichen Dank fuer Ihre Hilfe.

Mit vorzueglicher Hochachtung,

David Jon Parker

NAME_____

DATE_____

FIRM_____

Massachusetts Institute of Technology
Alfred P. Sloan School of Management
50 Memorial Drive
Cambridge, Massachusetts, 02139

QUESTIONNAIRE

Instructions:

1. Please answer questions 1 through 6 with short answers.

2. Use the back of the paper, if necessary, to answer questions 7 through 11, which may require longer answers.

3. On the last sheet would you please fill in one line for each consulting job? If the answers are unknown please make your best estimate.

4. A management consultant is a firm or person who provides advice or aid in such areas as organizing, planning, staffing, marketing, financing, paying, etc. It is not just providing mere engineering or technical information.

5. Please write your answers in English.

6. Please return to M.I.T. by 31 May 1973, if possible.

All answers will be considered confidential and in no way will be released in any manner by which your firm could be identified. Thank you for your assistance.

1. How many management consultant contracts have you awarded since January, 1965?

2. What is the average cost per contract?

3. What is the average length per contract?

4. Does your firm have an organization department?

5. Does your firm have a planning department?

6. Is the consultants report usually written jointly by the consultant and members of your firm?

7. What is your firms attitude generally toward the use of consultants?

8. Are consultants' recommendations usually put into practice?

9. Why might German firms be unlikely to hire consultants?

10. When might German firms be likely to use consultants?

11. Do you think the use of consultants by German firms will increase or decrease? Why?

	Type of Job	Name of Firm and Nationality	Length of Job	Consultants' Man Years of Effort	Cost $ or DM.	Has firm been Rehired?	Would you Rehire?	Percentage of Recommendations Applied	Was the Work of Anticipated Quality?

Appendix 7

Respondents to Questionnaire

	Respondents	Nonrespondents*
Autos	3	4
Aircraft construction	0	1
Basic materials	2	1.5
Beverages	1.5	0
Ceramics, etc.	0	1
Chemicals	4	4.5
Construction	1	1
Electrical	1	3.5
Food	0.5	1.5
Holding	2	9
Machinery plant construction	1	1.5
Metal processing	0	0.5
Petroleum	0.5	4.5
Precision machines, optics	0	0.5
Public utilities	1.5	0.5
Rubber	0	1
Services	1	2
Shipbuilding	0.5	0
Steel	5.5	2.5
Textiles	0.5	0.5
Trade	3.5	5.5
Transportation	1	2.5

Source: Grotkopp, W. and Schmacke, E., Die Grossen 500, Handbuch, 1972.

* When a firm was listed in more than one industry, it was accumulated as a fraction (e.g., 1/3 auto, 1/3 steel, 1/3 holding). The firms not categorized in Die Grossen 500 were not included in the above listing.

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